

# Statement of Corporate Intent 2020/21

Prepared by the Directors and Management of Powerlink Queensland  
for shareholding Ministers, including:

- **The Honourable Cameron Dick MP**  
Treasurer and Minister for Investment
- **The Honourable Mick de Brenni MP**  
Minister for Energy, Renewables and Hydrogen and  
Minister for Public Works and Procurement



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### IMPORTANT NOTE:

**The material in this SCI addresses the expected impacts of the COVID-19 pandemic. The pandemic is likely to remain a significant uncertainty for the 2020/21 year.**

## Performance Agreement

This Statement of Corporate Intent and all attachments are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (GOC Act).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of Powerlink Queensland and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent represents agreement to the major activities, objectives, policies, investments and borrowings of Powerlink Queensland for 2020-21.

This Statement of Corporate Intent is consistent with Powerlink Queensland's 2020 – 2025 Corporate Plan, submitted to shareholding Ministers and agreed in accordance with Chapter 3, Part 7 of the GOC Act.

In signing this document, the Board of Powerlink Queensland undertakes to make all reasonable efforts to achieve the targets proposed in the Statement of Corporate Intent for 2020-21.

Major changes to key assumptions that underpin the performance outcomes detailed in this Statement of Corporate Intent, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chair on behalf of all the directors in accordance with a unanimous decision of the Board of Powerlink Queensland.

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The Hon Cameron Dick  
Treasurer and Minister for Investment

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Date

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The Hon Mick de Brenni MP  
Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement

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Date

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Kathy Hirschfeld AM  
Chair, Powerlink Queensland

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Date

## **COVID-19**

Powerlink initially responded by standing up its Emergency Management and Crisis Management Teams to manage the immediate threat to Powerlink's employees and business. Subsequently Powerlink developed and deployed a COVID-19 Recovery Strategy to ensure the resilience of the business, safe delivery of the program of work and the health and wellbeing of employees. The business is also harnessing the disruption in the current environment to embed changed work practices to improve operational performance.

Costs related to Powerlink's Recovery Plan have been absorbed into existing operational expenditure. Powerlink has in place prompt payment of small and medium suppliers and contractors.

Powerlink has put plans in place to ensure business continuity based on the current assessment of the COVID-19 pandemic situation. However, there remains a risk and plans will be required to be reassessed in response to changing COVID-19 circumstances.

## Financial Targets

Performance Targets		Full Year	Q1	Q2	Q3	Q4
EBIT	\$M	325.7	68.9	83.4	105.8	67.6
Net Profit After Tax (NPAT)	\$M	74.9	9.3	20.4	36.0	9.3
Capital Expenditure	\$M	212.8	49.9	53.1	51.3	58.5
Return on Assets (ROA)		3.9%	NA	NA	NA	NA
Dividends Provided (including Special Dividends) <sup>1</sup>	\$M	250.9	NA	96.0	80.0	74.9

<sup>1</sup> - includes 2019/20 and 2020/21 special dividends

Small differences are due to rounding to first decimal point

## Non-financial Targets

Performance Targets	Full Year	Q1	Q2	Q3	Q4
<b>Safety <sup>1</sup></b>					
LTIFR (Lost Time Injury Frequency Rate)	2	NA	NA	NA	NA
TRIFR (Total Recordable Injury Frequency Rate)	7.7	NA	NA	NA	NA
<b>Environment</b>					
Number of major, extreme or catastrophic incidents <sup>2</sup>	0	NA	NA	NA	NA
<b>Network Performance – System Reliability</b>					
Event in excess of 0.05 system minutes	Not more than 3	NA	NA	NA	NA
Event in excess of 0.40 system minutes	Not more than 1	NA	NA	NA	NA
<b>Queensland Capacity Network Pty Ltd (QCN Fibre)</b>					
Increase in total contracted capacity	>0%	NA	NA	NA	NA

<sup>1</sup> – Powerlink.

<sup>2</sup> – Material and serious harm resulting in EPA intervention.

## **Response to Shareholder Mandate**

Powerlink's strategic direction is informed by the Shareholder Mandate (Mandate), which was issued to Powerlink by the Queensland Government in 2016. The Mandate provides appropriate guidance with respect to the shareholders' expectations for the performance of Powerlink.

Powerlink is actively working to achieve the measures and expectations set out in the Shareholder Mandate document.

A revised mandate is currently under development and expected to be in place during 2020/21.

## Key assumptions and risks

Powerlink's financial forecasts are based on the following key assumptions.

### **AER Revenue Reset**

Powerlink's current regulatory determination delivered by the Australian Energy Regulator (AER) sets out Powerlink's Maximum Allowed Revenue (MAR), and operating and capital expenditure allowances for 2017/18 to 2021/22. Powerlink's 2020/21 SCI financial forecasts integrate the Final AER Decision.

Powerlink continues to progress operational efficiencies, to mitigate the ongoing impact of electricity prices on customers, in line with the Final AER Decision. The SCI for the 2020/21 financial year reflects this and other business initiatives that are focused on safety, the workplace, and business reputation. The SCI reflects the more immediate strategic issues and goals of Powerlink, with the longer term plans outlined in the Powerlink 2020/21 - 2024/25 Corporate Plan.

### **Regulated Revenue**

Regulated revenue reflects the forecast of billings and collections. There is no recognition in revenue of any asset or liability for the under or over recovery for differences between actual collections and the MAR. Any over or under collection of regulated revenues in one year is adjusted for in setting transmission prices in future years.

The AER Service Target Performance Incentive Scheme (STPIS) operates on a calendar year basis. The 2019 calendar year STPIS penalty of \$2.1 million is included in the Regulated Revenue collections for 2020/21.

### **Regulatory pass through Items**

There are a number of cost items that are subject to regulatory "pass through" arrangements, such as some "Network (Grid) Support Costs" and "Insurance Above Cap Events".

Should pass through events occur, Powerlink is able, with the consent of the AER, to adjust the revenue collections in subsequent years.

### **Natural Disaster Events**

Powerlink assets are subject to extreme climatic events, and transmission structures are designed to withstand high wind loadings. Although infrequent, events such as cyclones, severe wind events, severe flood events and bushfires can cause major network damage.

The AER's self-insurance and pass through regulatory arrangements, and Powerlink's insurance policies provide some level of cover for most natural disaster event costs. As the self-insurance allowances are based on annualised long-term actuarial allowances for these events, variances between the actual cost of events and annual allowances may impact on annual profitability.

### **Regulated Network Investments**

Powerlink's forecast for regulated network investments is consistent with the capital expenditure allowance in the AER Final Decision over the 5-year regulatory period.

### **Contestability**

It is assumed that:

- Powerlink will continue to be a monopoly owner of regulated transmission assets in Queensland; and
- Powerlink will continue to have access to required debt funding to pursue approved non-regulated investment opportunities.

### **Non-Regulated Network Investments**

For business planning purposes, Powerlink has included capital expenditure for existing or committed non-regulated network connection investments as well as those where substantial preliminary works are in progress or there is a high confidence of the network connection proceeding. Given the strong interest in renewable generation, further investment in additional non-regulated network connections may be made as discussions and negotiations continue with a range of proponents.

There are a range of such renewable and other projects which are seeking to reach commitment stage over the 2020/21 financial year. Powerlink will seek to provide transmission connection services to these projects where they are connecting to the transmission network. These will be provided as non-regulated services. The timing of these negotiations and resultant decisions are dependent on the proponents and the associated investments are not included in the financial forecasts. Powerlink is adopting flexible resourcing arrangements for these works, both to manage the fluctuating workload and to achieve the short delivery timeframes required by proponents.

### **Capital Structure and Borrowings**

An increase of \$50 million in Powerlink's working capital facility (increasing total capacity to \$150 million) is being sought to provide additional funding liquidity. During the past year the debt portfolio was restructured to improve the financial sustainability of the balance sheet and improve the match of debt to the underlying assets and revenues, the sum of \$733.2 million of debt was transferred to match the non-regulated assets.

In accordance with the shareholding Ministers' direction received 13 June 2017, \$150 million of dividends from 2016/17 has been retained by Powerlink for the purpose of the potential development of transmission infrastructure to support renewable energy generation in North Queensland. For business planning purposes, no assumptions relating to expending this have been included in the 2020/21 forecast.

### **Dividend Policy**

In line with shareholding Ministers' expectations, Powerlink has adopted a 100% dividend payout ratio and additional special dividends that target a gearing level for the regulated business that equates to a forecast closing Net Debt to Fixed Assets ratio for Powerlink of approximately 66%. 2020/21 assumes a dividend of 100% NPAT plus a special dividend of \$80 million for 2020/21 and \$96 million for 2019/20 (subject to shareholder approval of 2019/20 SCI).

### **Electricity Demand**

Powerlink observed high summer demands over its transmission network during the 2019/20 Summer, with a maximum of 9,825 MW on February 19<sup>th</sup>. The record peak demand of 10,044 MW occurred during the 2018/19 summer. Average demand for transmission network services continues its slight decline due to the uptake of solar photovoltaic (PV) installations, technology developments and consumer response to electricity costs. Powerlink is focused on delivering transmission services to meet peak demand while putting downward pressure on its component of electricity costs to consumers.



## 2020/21 STATEMENT OF CORPORATE INTENT

<b>Financial Metrics</b>	<b>2019/20 Budget</b>	<b>2020/21 Target</b>
<b>Primary</b>		
Distribution Yield <sup>3</sup>	7.4%	9.9%
Controllable Opex on Total Fixed Assets <sup>4</sup>	3%	3%
<b>Secondary</b>		
Distribution Cash Coverage <sup>3</sup>	1.5 times	0.9 times
Net Debt / Fixed Assets <sup>4</sup>	66%	66%
Return on Assets	4.2%	4%
FFO on Net Debt <sup>3</sup>	8.9%	9.1%
Net Debt/RAB <sup>5</sup>	75%	76.5%
<b>Economic Assumptions</b>	<b>2019/20 Budget</b>	<b>2020/21 Assumption</b>
CPI (June Year)	1.6%	1.6%
Regulated Rate of Return (WACC)	5.96%	5.84%
Ordinary Dividend Payout Ratio <sup>1</sup>	100%	100%
Average Wage Growth	3.0%	3.0%
Shareholder Equity Injections <sup>2</sup>	Nil	Nil
Shareholder Equity Withdrawals <sup>2</sup>	Nil	Nil

<sup>1</sup> – Dividend represents 100 percent of net profit after tax, as per Dividend Policy. Any proposed adjustments allowable under the GOC Act shall be negotiated in advance with shareholding departments.

<sup>2</sup> – Approval of the SCI does not constitute approval of forecast equity injections or withdrawals.

<sup>3</sup> – 2019/20 Budget targets have been restated based on revised metric definition contained in the Draft 2020/21 Shareholder Mandate.

<sup>4</sup> – Financial metric was not reported in 2019/20 but has been reported for comparison purposes only.

## Capital Expenditure

<b>Investment Thresholds</b>	<b>\$M</b>
Shareholding Minister Notification	20
Shareholder Minister Approval – Regulated Investment	120
Shareholder Minister Approval – Non-regulated Investment	60
<b>Total Capital Expenditure</b>	
	<b>Estimated Expenditure 2020/21 (\$M)</b>
Significant Projects (Regulated)	44.0
Total Other Projects (Regulated) <sup>1</sup>	168.8
<b>Total Capital Expenditure<sup>1</sup></b>	<b>212.8</b>

<sup>1</sup> – Includes non-network capex such as IT, vehicles and facilities.

<b>Significant Projects</b>	<b>2020/21 (\$M)</b>	<b>Approved Total Cost (\$M)</b>	<b>Expected Completion Date</b>	<b>Board Approved</b>	<b>Shareholder Approved</b>
<b>Regulated</b>					
Mackay Substation Replacement	1.2	28.0	Winter 2020	Y	NA
Collinsville to Proserpine Transmission Line Refit	1.9	42.0	Summer 20/21	Y	NA
Callide A / Calvale 132kV Network Reinvestment	5.0	34.8	Summer 20/21	Y	NA
Gin Gin Substation Rebuild	5.4	34.5	Summer 21/22	Y	NA
Bouldercombe Primary Plant Replacement	2.3	40.4	Winter 2023	Y	NA
Advanced Energy Management System	15.8	50.4	Winter 2023	Y	NA
Calvale & Callide B Secondary Systems Replacement	2.9	21.8	Winter 2023	Y	NA
Nebo Secondary Systems Replacement	1.5	21.0	Summer 23/24	Y	NA
Nebo Primary Plant Replacement	2.0	22.5	Winter 2024	Y	NA
Ross 275kV primary Plant Replacement	6.0	21.1	Summer 24/25	Y	NA

**Significant Connection Projects (Non-Regulated) – Committed Projects<sup>1</sup>**

Renew Estate Rodd's Bay Solar Farm

Neoen Western Downs Green Power Hub Solar Farm

**Significant Projects (Non-Regulated) – Completed Projects in FY2019/20<sup>2</sup>**

Nil

<sup>1</sup> – Committed projects are those with executed Connection and Access Agreement (C&AA), Notice to Proceed (NTP) issued by the customer, and Powerlink works have commenced.

<sup>2</sup> – Completed projects are those where all Powerlink works are complete. However, generation may not be at full capacity as the solar or wind farm may still be under construction or commissioning.

**Capital Structure**

<b>Borrowings</b>			
<b>Facility</b>	<b>2019-20 (\$M)</b>	<b>2020-21 (\$M)</b>	<b>Change</b>
1	4,244.2	4,244.2	---
2	1,021.0	287.8	(733.2)
3	---	63.7	63.7
4	---	160.6	160.6
5	---	508.9	508.9
Total	5,265.2	5,265.2	---

## **Queensland Capacity Network Pty Ltd (QCN Fibre)**

QCN Fibre has been established and commenced its operations as a new state-owned entity jointly owned by Powerlink Queensland and Energy Queensland.

QCN Fibre will utilise fibre optic cable owned by Powerlink and Energy Queensland to boost internet connectivity and competition in regional Queensland.

QCN Fibre specified four strategic priorities for 2019/20. The areas of focus are:

- connect to NBN Points of Internet;
- create market-facing portal;
- undertake Dark Fibre Expression of Interest (EOI); and
- consider connecting isolation.

QCN Fibre has also undertaken "Project 5" (Capex of \$2,400,000) which covers interconnection with the Transgrid telecommunications network, uplift of the Sunshine Coast Cable Landing Station capacity, connecting Maryborough and establishing the North Queensland Regional Data Centre as the QCN Fibre hub within Townsville

## **Community Service Obligations**

No community service obligations have been identified by Powerlink in 2020/21.

## **Statement of Compliance**

Powerlink Queensland, including its subsidiaries, will comply with all relevant policies and guidelines as issued by the shareholders and Government, and formal directions as received from time to time.

## Financial Statements

<b>Profit and Loss Statement</b>	<b>Actual 2018-19 (\$M)</b>	<b>Budget 2019-20 (\$M)</b>	<b>Actual 2019-20 (M)</b>	<b>Budget 2020-21 (M)</b>
<b>Total Operating Revenue</b>	<b>989.3</b>	<b>961.7</b>	<b>956.3</b>	<b>962.4</b>
<b>Operating Expenses</b>				
Controllable Operating Expenses	217.5	234.2	225.2	239.2
Depreciation	368.4	368.3	370.3	385.6
Other <sup>1</sup>	17.2	7.9	15.8	12.0
<b>Total Operating Expenses</b>	<b>603.1</b>	<b>610.4</b>	<b>611.3</b>	<b>636.7</b>
<b>Earnings Before Interest and Tax (EBIT)</b>	<b>386.2</b>	<b>351.3</b>	<b>345.0</b>	<b>325.7</b>
Net Finance Charges <sup>2</sup>	223.2	222.9	218.2	218.4
Income Tax Equivalent Expense	49.0	40.0	38.2	32.4
<b>Net Profit After Tax (NPAT)</b>	<b>114.0</b>	<b>88.4</b>	<b>88.6</b>	<b>74.9</b>
<b>Dividends Provided for <sup>3</sup> (includes Special Dividend)</b>	<b>114.0</b>	<b>184.4</b>	<b>88.6</b>	<b>250.9</b>

*Small differences are due to rounding to first decimal point*

<sup>1</sup> – Includes Cost of Disposal of Non-Current Assets and External Customer Services Expenses

<sup>2</sup> – Includes Interest Income and AASB15 impact

<sup>3</sup> – 2020/21 budget dividends includes special dividends for 2019/20 and 2020/21 financial years

## Financial Statements

<b>Balance Sheet</b>	<b>Actual 2018-19 (\$M)</b>	<b>Budget 2019-20 (\$M)</b>	<b>Actual 2019-20 (M)</b>	<b>Budget 2020-21 (M)</b>
<b>Current Assets</b>				
Cash	2.3	30.0	24.9	37.2
Cash Advances	297.5	197.8	336.6	266.0
Receivables	84.7	79.2	85.7	80.3
Other	46.7	44.1	57.8	46.8
<b>Total Current Assets</b>	<b>431.2</b>	<b>351.1</b>	<b>505.0</b>	<b>430.3</b>
<b>Non-Current Assets</b>				
Property, Plant & Equipment	7,900.7	7,857.6	7,844.8	7,768.1
Other	19.0	22.7	16.1	19.0
<b>Total Non-Current Assets</b>	<b>7,919.7</b>	<b>7,880.3</b>	<b>7,860.9</b>	<b>7,787.0</b>
<b>Total Assets</b>	<b>8,350.9</b>	<b>8,231.4</b>	<b>8,365.9</b>	<b>8,217.4</b>
<b>Current Liabilities</b>				
Creditors	84.8	35.7	59.0	45.9
Other	153.1	166.0	152.1	140.6
<b>Total Current Liabilities</b>	<b>237.9</b>	<b>201.7</b>	<b>211.1</b>	<b>186.5</b>
<b>Non-Current Liabilities</b>				
Borrowings	5,265.2	5,265.2	5,265.2	5,250.6
Other	975.9	933.7	987.8	930.6
<b>Total Non-Current Liabilities</b>	<b>6,241.1</b>	<b>6,198.9</b>	<b>6,253.0</b>	<b>6,181.2</b>
<b>Total Liabilities</b>	<b>6,479.0</b>	<b>6,400.6</b>	<b>6,464.1</b>	<b>6,367.7</b>
<b>Net Assets</b>	<b>1,871.9</b>	<b>1,830.7</b>	<b>1,901.8</b>	<b>1,849.7</b>
<b>Shareholders' Equity</b>				
Share Capital	401.0	401.0	401.0	401.0
Other Equity	-	-	7.2	7.2
Reserves	1,440.7	1,429.7	1,173.4	1,297.3
Retained Earnings	30.2	-	320.2	144.20
<b>Total Shareholders' Equity</b>	<b>1,871.9</b>	<b>1,830.7</b>	<b>1,901.8</b>	<b>1,849.7</b>

Small differences are due to rounding to first decimal point

## Financial Statements

<b>Cash Flow Statement</b>	<b>Actual 2018-19 (\$M)</b>	<b>Budget 2019-20 (\$M)</b>	<b>Actual 2019-20 (M)</b>	<b>Budget 2020-21 (M)</b>
<b>Cash Flows from Operating Activities</b>				
Cash Receipts in the course of Operations	982.9	948.1	941.4	947.1
Cash Payments in the course of Operations	(228.3)	(243.6)	(243.5)	(233.6)
Interest Received	6.8	4.3	4.8	5.4
Interest Paid	(225.0)	(222.2)	(219.6)	(222.5)
Tax Equivalent Payments	(82.5)	(66.6)	(57.7)	(64.4)
<b>Net Cash Provided by Operating Activities</b>	<b>453.9</b>	<b>420.0</b>	<b>425.4</b>	<b>431.9</b>
<b>Cash Flows from Investing Activities</b>				
Payments for Property, Plant and Equipment	(219.6)	(204.1)	(184.6)	(212.3)
Proceeds from Sale of Non-Current Assets	0.8	1.8	1.7	1.4
Other	-	-	---	---
<b>Net Cash used in Investing Activities</b>	<b>(218.8)</b>	<b>(202.3)</b>	<b>(182.9)</b>	<b>(210.9)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from Borrowings	--	---	--	(14.6)
Dividends Paid	(167.3)	(198.2)	(188.0)	(264.7)
Other	-	-	7.2	-
<b>Net Cash from Financing Activities</b>	<b>(167.3)</b>	<b>(198.2)</b>	<b>(180.8)</b>	<b>(279.3)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>67.8</b>	<b>19.6</b>	<b>61.7</b>	<b>(58.3)</b>
Cash at the Beginning of the Financial Year	232.0	208.2	299.8	361.5
<b>Cash at the End of the Financial Year<sup>1</sup></b>	<b>299.8</b>	<b>227.8</b>	<b>361.5</b>	<b>303.2</b>

*Small differences are due to rounding to first decimal point*

<sup>1</sup> – Includes Cash and Cash Advances.

## Financial and Non-Financial Metrics Definitions

Distribution Yield <sup>1</sup>	$\frac{\text{Shareholder Distributions (Dividends Paid)}}{\text{Fixed Assets} - \text{Net Debt}}$
Controllable Operating Expenditure (OPEX) on Total Fixed Assets	$\frac{\text{All operating costs excluding customer works and depreciation}}{\text{Fixed Assets}}$
Distribution Cash Coverage	$\frac{\text{Prior Year Net Operating Cash Flow} - \text{Repex} - \text{debt repayments}}{\text{Shareholder Distributions (Dividends Paid)}}$
Funds From Operation(FFO) on Net Debt <sup>1</sup>	$\frac{\text{EBITDA} - \text{Net Interest} - \text{Tax Expense}}{\text{Net Debt}}$
Net Debt to Fixed Assets <sup>1</sup>	$\frac{\text{Total Debt} - \text{Cash}}{\text{Total Fixed Assets}}$
Return on Assets	$\frac{\text{Earnings Before Interest and Tax (EBIT)}}{\text{Average Total Assets}}$
Net Debt to Regulated Asset Base (RAB) <sup>1</sup>	$\frac{\text{Total Debt less Cash}}{\text{Total Closing Regulated Fixed Assets (including WIP)}}$
Lost Time Injury Frequency Rate (LTIFR)	$\frac{\text{No. of Lost Time Injury Occurrences} \times 1,000,000}{\text{No. of Hours Worked}}$
Total Recordable Injury Frequency Rate (TRIFR)	$\frac{\text{No. of Injury Occurrences} \times 1,000,000}{\text{No. of Hours Worked}}$
System Minute	<i>A measure of energy not supplied during transmission disturbances. One system minute is the amount of energy that would be transported within Queensland during one minute at the system maximum demand.</i>

<sup>1</sup> – Net Debt excludes \$150 M of retained dividends from available cash. Shareholder Direction to retain \$150 M and exclude from ratios



## Attachment 1 - Employee Relations

### Employee Relations

#### 1. Employment and Industrial Relations Approach

Powerlink, and the electricity sector in general, continues to be under intense scrutiny due to ongoing concern about electricity prices, requiring that Powerlink's business operations continue to be effective and efficient.

Powerlink aims to ensure that its business operations:

- are directed towards sustainably providing transmission services in line with customer expectations and in a manner that supports Queensland's economic prosperity;
- are competitive for non-regulated business opportunities; and
- assist in placing downward pressure on electricity prices by delivering efficient electricity transmission services.

Powerlink continues to take a proactive, early engagement approach with staff and their representatives, to get input, and to resolve issues within the business. A constructive relationship with staff and their representatives is integral to Powerlink's employee relations approach.

##### Industrial Relations Framework:

Supported by its Industrial Relations Strategy, Powerlink aims to have employment and industrial relations arrangements that support the delivery of the strategic business priorities and enables the business' objectives to be more agile in a changing industry. These approaches are largely contained in Powerlink's two enterprise agreements:

- The *Powerlink Managers Enterprise Agreement 2018* covers approximately 5% of the workforce. It is aligned to the organisational architecture of Powerlink and recognises the important role of middle level leadership in driving business outcomes. This agreement commenced on 22 January 2018 with a nominal expiry date of 21 January 2021.
- The *Working at Powerlink 2018 - Union Collective Agreement (WAPA)* covers approximately 91% of Powerlink's staff. It provides the majority of their terms and conditions of employment. It commenced on 1 March 2018 with a nominal expiry date of 28 February 2021.

#### 2. Significant and Emerging Issues

There are several issues which influence the current employee relations plan and approach including:

- Factors in the external environment, including the regulatory review process and other rule changes, and challenges in non-regulated business environment.
- Responses to COVID-19 pandemic, required to be consistent with Qld Government Directives and the existing industrial relations framework.
- The variability of the non-regulated business coupled with a continued focus on regulated maintenance for the existing transmission network remains a major driver in workforce planning and resourcing.
- The need to review and update Powerlink's classification structure, as contained in the WAPA to ensure that it meets the needs of Powerlink and its future workforce. The review has been commenced, and will continue during 2020.
- Powerlink adopts a 'no forced redundancies' approach (embedded in the Enterprise Agreements) in accordance with the Queensland Government's GOC Wages Policy,

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which requires that Powerlink retain in employment individuals whose roles have been made redundant.

Our primary Employment and Industrial Relations goals for this year are to:

- Negotiate replacement Enterprise Agreements ahead of their respective expiry dates in 2021. The intention is to have these agreements finalised prior to October 2020.
- Complete the classification structure review by early 2021, so that it can be implemented over the life of the re-negotiated agreement.
- Continue to increase our ability to resource Powerlink's work appropriately and flexibly through re-skilling, ease of movement of people across the business and greater ability for temporary or project based engagements.
- Increase business productivity by driving changes to the Powerlink culture to be more accountable, innovative, customer focused and constructive and by improving employee engagement.
- Continue to increase leadership capability to manage industrial relations issues at an early stage to avoid disputation.
- Support staff with flexible working arrangements to ensure that they are able to work safely and productively during the COVID-19 period.

## Employment and Industrial Relations Plan

### 1. Employment Conditions

#### ***Enterprise Agreements***

Conditions of employment for Powerlink employees are regulated largely by either:

- the *Working at Powerlink 2018 - Union Collective Agreement* (the Working at Powerlink Agreement); or
- the *Powerlink Managers Enterprise Agreement 2018* (Powerlink Managers Agreement).

The *Working at Powerlink Agreement* is Powerlink's primary enterprise agreement covering approximately 91% (833) of employees.

The key features of the current *Working at Powerlink Agreement* include:

- A three year agreement operative until 28 February 2021;
- A base wage increase of 3% and related allowance increase per annum for the life of the Agreement (three years), partially funded (50%) by productivity initiatives in accordance with the GOC Wages Policy 2015;
- Ability for Powerlink to engage employees on fixed term arrangements for up to 5 years (graduate programs and parental leave cover) or up to 3 years for project based work (subject to union consultation on 3<sup>rd</sup> year of engagement).
- No forced redundancies and salary maintenance provisions maintained for the life of the Agreement;
- Commitment to working with Unions on employee wellbeing and mental health initiatives.
- All other key terms and conditions of the previous Agreement were maintained.

The next version of the Working at Powerlink Union Collective Agreement has been negotiated with unions to align with the temporary amendment to the GOC Wages Policy 2015. The in-principle agreement reflects a 0% wage increase for the first year of the agreement with wages increases scheduled as follows:

- 0% on 1 March 2021
- 3% on 1 March 2022
- 3% on 1 September 2022
- 3% on 1 March 2023

The key features of the current *Powerlink Managers Agreement*, which covers approximately 5% (47) of employees, include:

- A three year agreement operative until 21 January 2021;
- Base wage increases of 3% per annum, partially funded (50%) by productivity initiatives;
- Updated consultation and dispute resolution provisions; and
- All other key terms and conditions of the previous Agreement were maintained.

The next version of the Powerlink Managers Agreement will also adopt the requirements of the temporary amendment to the GOC Wages Policy 2015, which includes a 0% wage increase in the first year of the agreement.

## 2. Workforce

Powerlink's resource planning process considers what workforce is required to deliver its programs of works, for the regulated program, the non-regulated program and the ongoing operational requirements.

Each year the planning process is integrated with the annual budget cycle to ensure that resources are effectively deployed to operate the business soundly through operating a reliable network and seeking opportunities for efficiency.

The capital program includes work undertaken by external construction companies, with design services being delivered both "in-house" and by external contractors. Most project management is undertaken by Powerlink employees. To account for variability in the quantum and mix of projects, Powerlink uses a workforce comprising a combination of permanent and fixed term employees. Labour hire is used from time to time on a short-term basis to supplement existing resources.

Workforce FTEs <sup>1</sup>	30 June 2020
<b>Employment Category:</b>	
Permanent (including Part-time)	794
Senior Executive	7
Apprentices (In House)	33
Trainees (In House)	2
Casual and Fixed Term Employees	56
<b>Total Directly Employed Workforce:</b>	<b>892</b>
Labour hire	10
<b>Total Workforce (including labour hire):</b>	<b>902</b>

<sup>1</sup> – Full Time Equivalent (FTE) means full time equivalent per annum. Powerlink applies FTE to employees (full time, part time and casual) and labour hire. Overtime does not count toward FTEs.

## 3. Redundancy Provisions

Powerlink's redundancy provisions focus on redeployment and retraining, but provide for the following in cases of redundancy:

- 6 months' notice of redundancy or 13 weeks early separation payment.
- 3 weeks per year of service severance payment with a minimum of 4 weeks (National Employment Standards) up to a maximum of 75 weeks.
- Pro-rata long service leave.
- Accrued recreation leave.
- Outplacement and retraining support.

The *Working at Powerlink Agreement* provides a commitment to 'no forced redundancies', subject to employees accepting reasonable redeployment and retraining. This commitment will continue to challenge Powerlink to assist employees whose roles are redundant to find alternative permanent employment.

Over the past two years 18 redeployees have been placed in permanent positions in the business and there are currently no redeployees at Powerlink.

The *Powerlink Managers Agreement* provides substantially similar redundancy benefits to the *Working at Powerlink Agreement*.

#### 4. Remuneration Arrangements

The remuneration details for Powerlink's Chief Executive Officer and other Senior Executives applying on 30 June 2020 are:

CEO / Senior Executives	Base Salary <sup>1</sup>	Employer Superannuation Contributions	Total Fixed Remuneration	Performance Payment made in 2019/20 <sup>2</sup>
Paul Simshauser <sup>3</sup> Chief Executive	730,594	69,406	800,000	n/a
Kevin Kehl <sup>5</sup> Executive General Manager Strategy and Business Development	400,227	38,022	438,249	25,626
Darryl Rowell, Chief Financial Officer	378,546	35,962	414,508	24,118
Cathy Heffernan Executive General Manager People and Corporate Services	321,510	30,543	352,053	20,571
Stewart Bell <sup>4</sup> Executive General Manager Delivery and Technical Services	301,051	28,600	329,651	18,891
Gary Edwards Executive General Manager Operations and Service Delivery	317,838	30,195	348,033	19,567

<sup>1</sup> – Excludes any salary sacrifice items (e.g. motor vehicle, superannuation and other benefits)

<sup>2</sup> – Was paid in previous financial year and is linked to the achievement of corporate results in 2018/19

<sup>3</sup> – Commenced as Chief Executive on the 1 June 2020

<sup>4</sup> – Currently Acting Executive General Manager Strategy and Business Development

<sup>5</sup> – Currently Acting Executive General Manager Corporate Development (a new temporary 9 month appointment)

Performance pay for individuals employed under Senior Executive contracts will not be paid for the 2019/20 financial year, as required by the temporary addendum to the Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements.

Enterprise agreement employees are also eligible for both:

- a gainsharing payment based on corporate results; and
- performance pay based on individual and small team performance during a financial year and corporate results.

As is consistent with the Government Wage Freeze Policy, gainsharing and performance payments will not be paid to any employees for the 2019/20 financial year.

## **5. Superannuation**

Employer superannuation contributions for employees who are covered by the *Working at Powerlink Agreement* are made to the Energy Super Superannuation Scheme. The only exceptions to this are those employees who had existing membership of QSuper, who may remain in that fund. Designated managers covered by the *Powerlink Managers Agreement* and senior staff who are outside of the agreements have Super Choice.

In accordance with the *Working at Powerlink Agreement*, Powerlink currently contributes 9.5% (or the appropriate percentage as determined by applicable superannuation legislation) of an employee's salary, or 10% where the employee contributes 5% of their salary or are members of a defined benefits scheme.

## **6. Consultation**

The shareholding Ministers' departments and the Office of Industrial Relations (now part of the Department of Education and Training) have been consulted on this plan, as have relevant unions.

## **7. Workplace Health & Safety**

Safety is one of Powerlink's values and a key part of our culture. It continues to be a Board-sponsored value owned by all employees and Powerlink drives to continually improve safety practices and outcomes. Powerlink takes a proactive approach to health and safety, where safety is regarded as essential for all; health and wellbeing is promoted; and safety is integrated into all work practices.

The Powerlink Safe for Life (Everyone, Everywhere, Everyday) program continues to support the drive for ongoing commitment and improvement in health and safety culture and performance. Enhancement of Powerlink's Health Safety and Environment management systems and an uplift in safety culture continues to be an area of significant focus.

## **Attachment 2 - Sponsorship, Advertising, Corporate Entertainment and Donations**

### **Sponsorships**

Powerlink's sponsorship arrangements include a framework which all applications are assessed against. Powerlink's framework highlights three key focus areas:

- empowering communities;
- protecting and conserving the environment; and
- supporting safety and well-being.

Applicants can submit a request for sponsorship funding in writing to Powerlink, which will be assessed against set criteria for evaluation. To be accepted, the sponsorship must be in line with the framework and provide an appropriate and value for money business outcome.

Any sponsorship greater than \$5,000 must be reviewed and endorsed by the Powerlink Board.

### **Advertising**

Powerlink undertakes very limited advertising. Advertising undertaken generally relates to operational requirements and includes items such as advertising environmental impact assessment consultation arrangements, notifying communities of helicopter maintenance activities, recruitment, and similar.

**Table 1: Sponsorship, Donations, Advertising, Corporate Entertainment and Other (Including Items over \$5,000)**

Activity	Description / Benefit	Budget 2019/20	Budget 2020/21	2020/21 – Quarter (\$)			
		(\$)	(\$)	Sept	Dec	Mar	Jun
<b><u>SPONSORSHIPS</u><sup>1</sup></b>							
Engineers Australia	EA Branch Program	5,000	5,000	---	---	---	5,000
Energy Users Assoc. of Aust.	Conference and Qld Forum	30,000	30,000	---	---	30,000	---
Local Govt. Assoc. of Qld	State and Regional Conferences	20,000	---	---	---	---	---
Qld State Emergency Service	Statewide equipment sponsor	50,000	50,000	---	---	50,000	---
Qld Environmental Law Society	Conference	5,000	5,000	---	---	5,000	---
Environmental Sponsorship	Program sponsorship	8,000	8,000	---	8,000		---
Women in Engineering Sponsorship	Industry partnership program	10,000	10,000	10,000	---	---	---
<b>Total over \$5,000</b>		<b>128,000</b>	<b>108,000</b>	<b>10,000</b>	<b>8,000</b>	<b>85,000</b>	<b>5,000</b>
Other (total) below \$5,000		50,000	40,000	10,000	10,000	10,000	10,000
<b>Total Sponsorship (1):</b>		<b>178,000</b>	<b>148,000</b>	<b>20,000</b>	<b>18,000</b>	<b>95,000</b>	<b>15,000</b>
<b><u>DONATIONS</u></b>							
		<b>10,000</b>	<b>10,000</b>	<b>Nil</b>	<b>Nil</b>	<b>10,000</b> <sup>3</sup>	<b>Nil</b>
Other (total) below \$5,000		---	---	---	---	---	---
<b>Total Donations (2):</b>		<b>10,000</b>	<b>10,000</b>	<b>Nil</b>	<b>Nil</b>	<b>10,000</b>	<b>Nil</b>
<b><u>ADVERTISING</u><sup>2</sup></b>							
<b>Total over \$5,000</b>		---	---	---	---	---	---
Other (total) below \$5,000		---	---	---	---	---	---
<b>Total Advertising (3):</b>		<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

<sup>1</sup> – Subject to review prior to SCI final approval<sup>2</sup> – As a general policy, Powerlink only undertakes advertising that is directly associated with its operational activities and as such, no details included<sup>3</sup> – Powerlink conducts an annual donation program for a charity in conjunction with staff. The 2019/20 beneficiary was Hummingbird House



**Table 1: Sponsorship, Donations, Advertising, Corporate Entertainment and Other (Including Items over \$5,000) (Cont'd)**

Activity	Description / Benefit	Budget 2019/20 (\$)	Budget 2020/21 (\$)	2020/21 – Quarter (\$)			
				Sept	Dec	Mar	Jun
<b><u>CORPORATE ENTERTAINMENT</u></b>							
<b>Total over \$5,000</b>							
Other (total) below \$5,000		40,000	40,000	10,000	10,000	10,000	10,000
<b>Total Corporate Entertainment (4):</b>		<b>40,000</b>	<b>40,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b><u>OTHER</u></b>							
<b>Total over \$5,000</b>							
Other (total) below \$5,000							
<b>Total Other (5):</b>		<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>TOTAL (1)+(2)+(3)+(4)+(5)</b>		<b>228,000</b>	<b>198,000</b>	<b>30,000</b>	<b>28,000</b>	<b>115,000</b>	<b>25,000</b>

## Attachment 3 – Financial Statements

### Financial Statements

<b>Profit and Loss Statement</b>	<b>Full Year (\$M)</b>	<b>Q1 (\$M)</b>	<b>Q2 (\$M)</b>	<b>Q3 (\$M)</b>	<b>Q4 (\$M)</b>
<b>Total Operating Revenue</b>	<b>962.4</b>	<b>233.0</b>	<b>237.0</b>	<b>252.5</b>	<b>240.0</b>
<b>Operating Expenses</b>					
Controllable Operating Expenses	239.2	66.1	55.4	47.4	70.2
Depreciation	385.6	96.4	96.2	95.9	97.0
Other <sup>1</sup>	12.0	1.6	1.8	3.3	5.3
<b>Total Operating Expenses</b>	<b>636.7</b>	<b>164.1</b>	<b>153.5</b>	<b>146.6</b>	<b>172.5</b>
<b>Earnings Before Interest and Tax (EBIT)</b>	<b>325.7</b>	<b>68.9</b>	<b>83.4</b>	<b>105.8</b>	<b>67.6</b>
Net Finance Charges <sup>2</sup>	218.4	55.5	54.3	54.4	54.3
Income Tax Equivalent Expense	32.4	4.1	8.8	15.5	4.0
<b>Net Profit After Tax (NPAT)</b>	<b>74.9</b>	<b>9.3</b>	<b>20.4</b>	<b>36.0</b>	<b>9.3</b>
<b>Dividends Provided for<sup>3</sup> (includes Special Dividend)</b>	<b>250.9</b>	<b>0.0</b>	<b>96.0</b>	<b>80.0</b>	<b>74.9</b>

*Small differences are due to rounding to first decimal point*

<sup>1</sup> – Includes Cost of Disposal of Non-Current Assets and External Customer Services Expenses

<sup>2</sup> – Includes Interest Income and AASB15 impact

<sup>3</sup> – Includes \$96M special dividend related to the 2019/20 financial year

## Financial Statements

<b>Balance Sheet</b>	<b>Q1 (\$M)</b>	<b>Q2 (\$M)</b>	<b>Q3 (\$M)</b>	<b>Q4 (\$M)</b>
<b>Current Assets</b>				
Cash	37.2	37.2	37.2	37.2
Cash Advances	376.2	239.7	207.6	266.0
Receivables	78.8	76.3	81.9	80.3
Other	46.8	46.8	46.8	46.8
<b>Total Current Assets</b>	<b>539.1</b>	<b>400.0</b>	<b>373.5</b>	<b>430.3</b>
<b>Non-Current Assets</b>				
Property, Plant & Equipment	7,820.4	7,799.3	7,782.5	7,768.1
Other	19.0	19.0	19.0	19.0
<b>Total Non-Current Assets</b>	<b>7,839.4</b>	<b>7,818.3</b>	<b>7,801.5</b>	<b>7,787.0</b>
<b>Total Assets</b>	<b>8,378.5</b>	<b>8,218.3</b>	<b>8,175.0</b>	<b>8,217.4</b>
<b>Current Liabilities</b>				
Creditors	42.7	35.0	38.6	45.9
Other	154.5	67.4	67.4	140.6
<b>Total Current Liabilities</b>	<b>197.1</b>	<b>102.4</b>	<b>105.9</b>	<b>186.5</b>
<b>Non-Current Liabilities</b>				
Borrowings	5,258.9	5,252.7	5,246.4	5,250.6
Other	960.4	959.1	957.5	930.6
<b>Total Non-Current Liabilities</b>	<b>6,219.3</b>	<b>6,211.8</b>	<b>6,203.9</b>	<b>6,181.2</b>
<b>Total Liabilities</b>	<b>6,416.5</b>	<b>6,314.1</b>	<b>6,309.8</b>	<b>6,367.7</b>
<b>Net Assets</b>	<b>1,962.0</b>	<b>1,904.2</b>	<b>1,865.2</b>	<b>1,849.7</b>
<b>Shareholders' Equity</b>				
Share Capital	401.0	401.0	401.0	401.0
Other Equity	7.2	7.2	7.2	7.2
Reserves	1,219.3	1,237.8	1,254.8	1,297.3
Retained Earnings	334.5	258.2	202.2	144.2
<b>Total Shareholders' Equity</b>	<b>1,962.0</b>	<b>1,904.2</b>	<b>1,865.2</b>	<b>1,849.7</b>

*Small differences are due to rounding to first decimal point*

## Financial Statements

Cash Flow Statement	Full Year (\$M)	Q1 (\$M)	Q2 (\$M)	Q3 (\$M)	Q4 (\$M)
<b>Cash Flows from Operating Activities</b>					
Cash Receipts in the course of Operations	947.1	235.1	239.3	231.2	241.5
Cash Payments in the course of Operations	(233.6)	(54.6)	(68.4)	(50.0)	(60.6)
Interest Received	5.4	0.6	0.7	0.6	3.5
Interest Paid	(222.5)	(59.2)	(54.5)	(54.5)	(54.5)
Tax Equivalent Payments	(64.4)	(15.6)	(14.6)	(17.8)	(16.5)
<b>Net Cash Provided by Operating Activities</b>	<b>431.9</b>	<b>106.3</b>	<b>102.5</b>	<b>109.5</b>	<b>113.5</b>
<b>Cash Flows from Investing Activities</b>					
Payments for Property, Plant and Equipment	(212.3)	(48.1)	(48.1)	(55.4)	(60.7)
Proceeds from Sale of Non-Current Assets	1.4	-	-	-	1.4
Other	---	---	---	---	---
<b>Net Cash used in Investing Activities</b>	<b>(210.9)</b>	<b>(48.1)</b>	<b>(48.1)</b>	<b>(55.4)</b>	<b>(59.3)</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from Borrowings	(14.6)	(6.3)	(6.3)	(6.3)	4.2
Dividends Paid	(264.7)	-	(184.7)	(80.0)	-
Other	-	-	-	-	-
<b>Net Cash from Financing Activities</b>	<b>(279.3)</b>	<b>(6.3)</b>	<b>(191.0)</b>	<b>(86.3)</b>	<b>4.2</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(58.3)</b>	<b>52.0</b>	<b>(136.5)</b>	<b>(32.1)</b>	<b>58.4</b>
Cash at the Beginning of the Financial Year	361.5	361.5	413.5	276.9	244.8
<b>Cash at the End of the Financial Year<sup>1</sup></b>	<b>303.2</b>	<b>413.5</b>	<b>276.9</b>	<b>244.8</b>	<b>303.2</b>

Small differences are due to rounding to first decimal point

<sup>1</sup> – Includes Cash and Cash Advances

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